



Senate

General Assembly

File No. 411

February Session, 2012

Substitute Senate Bill No. 405

Senate, April 12, 2012

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING TARGETED HEALTH AREAS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) On or after October 1,
2 2012, the Commissioner of Economic and Community Development,
3 in consultation with the Commissioners of Public Health and Social
4 Services, and a representative designated by the Connecticut State
5 Medical Society shall, within available resources, designate as targeted
6 health areas not more than ten municipalities that have (1) a medically-
7 underserved population, or (2) a population with a high rate of chronic
8 disease. Said commissioners and representative shall identify any
9 needed medical specialty in any municipality designated as a targeted
10 health area.

11 (b) Not later than October 1, 2017, and annually thereafter, the
12 Commissioner of Economic and Community Development, in
13 consultation with the Commissioners of Public Health and Social
14 Services, shall evaluate whether any municipality designated as a
15 targeted health area pursuant to subsection (a) of this section still

16 meets the criteria for such designation. The Commissioner of Economic
17 and Community Development may remove the designation of any
18 municipality that no longer meets the criteria for such designation,
19 provided no such designation shall be removed less than five years
20 after the original date of the municipality's designation as a targeted
21 health area.

22 Sec. 2. (NEW) (*Effective October 1, 2012*) (a) There is established
23 within the Department of Economic and Community Development the
24 Targeted Health Area program. Said program shall provide licensed
25 physicians and physician offices providing primary care services or
26 any needed medical specialty identified pursuant to section 1 of this
27 act, with various forms of financial assistance, using a streamlined
28 application process to expedite the delivery of such assistance. A
29 licensed physician shall be eligible for assistance through said program
30 if, as of the effective date of this section, such physician: (1) Is engaged
31 in the active practice of primary care for adults or children or any
32 needed medical specialty identified pursuant to section 1 of this act,
33 and (2) practices in a municipality designated as a targeted health area
34 pursuant to section 1 of this act. A physician office providing primary
35 care services shall be eligible for assistance through said program if, as
36 of the effective date of this section, such office: (A) Provides primary
37 care services to adults or children or any needed medical specialty
38 identified pursuant to section 1 of this act, (B) is located in an area
39 designated as a targeted health area pursuant to section 1 of this act,
40 and (C) is in good standing with the payment of all state and local
41 taxes and with all state agencies.

42 (b) The Targeted Health Area program shall consist of various
43 components, including (1) a revolving loan fund, as described in
44 subsection (d) of this section, to support licensed physicians and
45 physician offices providing primary care services or any needed
46 medical specialty identified pursuant to section 1 of this act, (2) a
47 licensed physician hiring incentive component, as described in
48 subsection (e) of this section, to support the hiring of licensed
49 physicians by physician offices providing primary care services, or any

50 needed medical specialty identified pursuant to section 1 of this act,
51 and (3) a matching grant component, as described in subsection (f) of
52 this section, to provide capital to licensed physicians or physician
53 offices providing primary care services that can match the state grant
54 amount. The Commissioner of Economic and Community
55 Development shall work with eligible licensed physicians and
56 physician offices providing primary care services or any needed
57 medical specialty identified pursuant to section 1 of this act, to provide
58 a package of assistance using not only the financial assistance provided
59 by the Targeted Health Area program, but also any other appropriate
60 tax credit or state program. Notwithstanding the provisions of section
61 32-5a of the general statutes, regarding relocation limits, the
62 department may require as a condition of receiving financial assistance
63 pursuant to this section, that a licensed physician or physician office
64 providing primary care services or any needed medical specialty
65 identified pursuant to section 1 of this act receiving such assistance
66 shall not relocate, as defined in said section 32-5a, for five years after
67 receiving such assistance. All other conditions and penalties imposed
68 pursuant to said section 32-5a shall continue to apply to such licensed
69 physician or physician office.

70 (c) The commissioner, in consultation with the officers of the
71 Connecticut State Medical Society, shall establish a streamlined
72 application process for the Targeted Health Area program. The
73 licensed physician or physician office providing primary care services
74 or any needed medical specialty identified pursuant to section 1 of this
75 act may receive assistance pursuant to said program not later than
76 thirty days after submitting a completed application to the
77 department. Any such licensed physician or physician office, which
78 meets the eligibility criteria in subsection (a) of this section, may apply
79 to said program. The commissioner shall give priority for available
80 funding to such licensed physicians and physician office in a manner
81 that best addresses the health needs of the targeted health areas.

82 (d) (1) There is established as part of the Targeted Health Area
83 program a revolving loan fund to provide loans to licensed physicians

84 and physician offices providing primary care services or any needed
85 medical specialty identified pursuant to section 1 of this act. Such loans
86 shall be used for acquisition of medical equipment, construction or
87 leasehold improvements, working capital or other business-related
88 expenses, as authorized by the commissioner.

89 (2) Loans from the revolving loan fund may be in amounts from ten
90 thousand dollars to a maximum of one hundred thousand dollars,
91 shall carry a maximum repayment rate of four per cent and shall be for
92 a term of not more than ten years. The department shall review and
93 approve loan terms, conditions and collateral requirements in a
94 manner that best addresses the health needs of the targeted health
95 areas.

96 (3) Any such licensed physician or physician office meeting the
97 eligibility criteria in subsection (a) of this section may apply for
98 assistance from the revolving loan fund, but the commissioner shall
99 give priority to such licensed physicians or physician offices that best
100 address the health needs of the targeted health areas.

101 (e) (1) There is established as part of the Targeted Health Area
102 program a licensed physician hiring incentive component to provide
103 loans for hiring licensed physicians for physician offices providing
104 primary care services or any needed medical specialty identified
105 pursuant to section 1 of this act meeting the eligibility criteria in
106 subsection (a) of this section, with the option of loan forgiveness based
107 on the retention of any licensed physician hired and retained for not
108 less than twelve consecutive months. Such loans may be used for
109 training, marketing, working capital or other expenses, as approved by
110 the commissioner, that support hiring such licensed physician.

111 (2) Loans under the licensed physician hiring incentive component
112 may be in amounts from ten thousand dollars to a maximum of two
113 hundred fifty thousand dollars. Payments on such loans may be
114 deferred, and all or part of any such loan may be forgiven, based upon
115 the commissioner's assessment of the physician office's attainment of
116 hiring goals. The department shall review and approve loan terms,

117 conditions and collateral requirements in a manner that prioritizes
118 hiring licensed physicians that best address the health needs of the
119 targeted health areas.

120 (f) (1) There is established as part of the Targeted Health Area
121 program a matching grant component to provide grants for capital to
122 physician offices providing primary care services or any needed
123 medical specialty identified pursuant to section 1 of this act meeting
124 the eligibility criteria in subsection (a) of this section. Such physician
125 offices shall match any state funds awarded under this program. Grant
126 funds may be used for ongoing or new training, working capital,
127 acquisition of medical equipment, construction or leasehold
128 improvements or other business-related expenses authorized by the
129 commissioner.

130 (2) Matching grants provided under the matching grant component
131 may be in amounts from ten thousand dollars to a maximum of one
132 hundred thousand dollars. The commissioner shall prioritize
133 applicants for matching grants in a manner that best address the health
134 needs of the applicant's targeted health area.

135 (g) Not later than June 30, 2013, and every six months thereafter, the
136 commissioner shall provide a report, in accordance with the provisions
137 of section 11-4a of the general statutes, to the joint standing committees
138 of the General Assembly having cognizance of matters relating to
139 finance, revenue and bonding, appropriations, commerce, public
140 health and human services. Such report shall include available data on
141 (1) the number of licensed physicians or physician offices providing
142 primary care services or any needed medical specialty identified
143 pursuant to section 1 of this act that applied to the Targeted Health
144 Area program, (2) the number of such licensed physicians or physician
145 offices that received assistance under said program, (3) the amounts
146 and types of assistance provided, and (4) the total number of licensed
147 physicians employed at such physician offices on the date of
148 application and the number proposed to be hired, if any. The contents
149 of such report shall also be included in the department's annual report.

150 Sec. 3. (NEW) (*Effective July 1, 2012*) (a) For the purposes described
151 in subsection (b) of this section, the State Bond Commission shall have
152 the power, from time to time, to authorize the issuance of bonds of the
153 state in one or more series and in principal amounts not exceeding in
154 the aggregate ten million dollars, provided five million dollars of said
155 authorization shall be effective July 1, 2013.

156 (b) The proceeds of the sale of said bonds, to the extent of the
157 amount stated in subsection (a) of this section, shall be used by the
158 Department of Economic and Community Development for the
159 purpose of the Targeted Health Area program established pursuant to
160 section 2 of this act, provided (1) two million dollars of the amount
161 stated in subsection (a) of this section may be used, in each of fiscal
162 years 2013 and 2014, for the revolving loan fund established pursuant
163 to subsection (d) of section 2 of this act, (2) one million dollars of the
164 amount stated in subsection (a) of this section may be used, in each of
165 fiscal years 2013 and 2014, for the licensed physician hiring incentive
166 component established pursuant to subsection (e) of section 2 of this
167 act, and (3) two million dollars of the amount stated in subsection (a)
168 of this section may be used, in each of fiscal years 2013 and 2014, for
169 the matching grant component established pursuant to subsection (f)
170 of section 2 of this act. Any time at which an amount in subdivision (1),
171 (2) or (3) of this subsection is used for a component of the Targeted
172 Health Area program other than that specified in said subdivision (1),
173 (2) or (3), the Commissioner of Economic and Community
174 Development shall report, in accordance with the provisions of section
175 11-4a of the general statutes, to the joint standing committees of the
176 General Assembly having cognizance of matters relating to finance,
177 revenue and bonding, appropriations, commerce, public health and
178 human services, detailing the amount of the proceeds of the sale of
179 said bonds that was so used and how such amount was divided
180 among said components.

181 (c) All provisions of section 3-20 of the general statutes, or the
182 exercise of any right or power granted thereby, which are not
183 inconsistent with the provisions of this section are hereby adopted and

184 shall apply to all bonds authorized by the State Bond Commission
 185 pursuant to this section, and temporary notes in anticipation of the
 186 money to be derived from the sale of any such bonds so authorized
 187 may be issued in accordance with said section 3-20 and from time to
 188 time renewed. Such bonds shall mature at such time or times not
 189 exceeding twenty years from their respective dates as may be provided
 190 in or pursuant to the resolution or resolutions of the State Bond
 191 Commission authorizing such bonds. None of said bonds shall be
 192 authorized except upon a finding by the State Bond Commission that
 193 there has been filed with it a request for such authorization which is
 194 signed by or on behalf of the Secretary of the Office of Policy and
 195 Management and states such terms and conditions as said commission,
 196 in its discretion, may require. Said bonds issued pursuant to this
 197 section shall be general obligations of the state and the full faith and
 198 credit of the state of Connecticut are pledged for the payment of the
 199 principal of and interest on said bonds as the same become due, and
 200 accordingly and as part of the contract of the state with the holders of
 201 said bonds, appropriation of all amounts necessary for punctual
 202 payment of such principal and interest is hereby made, and the State
 203 Treasurer shall pay such principal and interest as the same become
 204 due.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	New section
Sec. 2	<i>October 1, 2012</i>	New section
Sec. 3	<i>July 1, 2012</i>	New section

Statement of Legislative Commissioners:

In subsection (a) of section 2, "shall be" and ", such office" were inserted for clarity, in subsections (b), (c), (d)(3), (e)(2) and (g) of section 2, "or any needed medical specialty identified pursuant to section 1 of this act" was deleted to avoid redundancy and repetition, in subsection (c) of section 2, ", which meets" was inserted for clarity, and in subsection (g) "employed at" was inserted for clarity.

CE *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13 \$	FY 14 \$
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Department of Economic & Community Development	GF - Cost	28,556	38,077
State Comptroller - Fringe Benefits ¹	GF - Cost	8,345	11,126

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill authorizes \$10 million in General Obligation bonds for the Targeted Health Program which results in a debt services cost of \$15.3 million over twenty years. The bill also results in an annual cost of \$49,203 (\$38,077 salary plus \$11,126 in benefits) to the Department of Economic and Community Development (DECD) for one part-time employee to administer the program.

The bill authorizes \$10 million (\$5 million in each of FY 13 and FY 14) in General Obligation (GO) bonds to the Department of Economic and Community Development for the Targeted Health Area Program. The total General Fund debt service cost for principal and interest payments to bond this amount over twenty years at a 5.0% interest rate is \$15.3 million (comprised of \$5.3 million in interest and \$10 million in principal). The first year that the state will experience debt service costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are

¹ The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated non-pension fringe benefit cost associated with most personnel changes is 29.22% of payroll in FY 13 and FY 14.

expended.

The bill also results in a cost of \$36,901 (\$28,556 salary plus \$8,345 in benefits) in FY 13 and annual cost of \$49,203 (\$38,077 salary plus \$11,126 in benefits) thereafter to DECD for one part-time employee (AR-25) to administer the program and complete the reporting requirements outlined in the bill.

The Out Years

The General Fund fiscal impact identified above would continue into the future for the term of issuance of the bonds. The annualized ongoing fiscal impact to DECD identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 405****AN ACT CONCERNING TARGETED HEALTH AREAS****SUMMARY:**

This bill establishes a program providing business loans and grants to licensed physicians and physician offices in state-designated Targeted Health Areas (THAs) and authorizes \$10 million in bonds in FY 13 and FY 14 for the program. It requires the Department of Economic and Community Development (DECD) commissioner to designate up to 10 municipalities as THAs based on the bill's criteria and in consultation with the parties the bill specifies.

The commissioner must also administer the loans and grants through a streamlined application process the bill specifies. She may require physicians and physician offices that have received a loan or grant to repay it plus a 5% penalty for relocating out of Connecticut within five years after receiving the assistance. (The period under current law for DECD's other programs is 10 years or the loan term, whichever is longer.)

The bill requires the commissioner to remove a THA designation after five years if a municipality no longer meets the designation criteria. It also requires her to submit biannual performance reports to specified legislative committees.

EFFECTIVE DATE: Upon passage, except the bond authorization takes effect July 1, 2012 and commissioner may begin providing loans and grants on or after October 1, 2012.

§ 1(a) — DESIGNATING THAs

The bill requires the DECD commissioner to designate, within available appropriations, up to 10 municipalities as THAs, which are

areas where doctors are eligible for business loans and grants. It requires her to do so on or after October 1, 2012 and in consultation with the public health and social services commissioners and a representative of the Connecticut State Medical Society.

The DECD commissioner may designate a municipality as a THA if it has a medically underserved population or one with a high chronic disease rate. After designating a THA, the three commissioners and the state medical society representative must identify any medical specialty the THA needs.

§ 2 — FINANCIAL ASSISTANCE

Licensed physicians and physician offices qualify for financial assistance if they provide primary care services in a THA or any medical specialty the DECD commissioner determines it needs. The bill authorizes her to provide the following three types of financial assistance to these physicians and offices: revolving loans, licensed physician hiring incentives (i.e., deferrable or forgivable loans), and matching grants. Table 1 summarizes the applicant priority requirements, eligible expenditures, and terms and conditions for each type of assistance.

Table 1: Summary of THA Financial Assistance

<i>Program Characteristic</i>	<i>Financial Assistance</i>		
	<i>Revolving Loans</i>	<i>Licensed Physician Hiring Loans</i>	<i>Matching Grants</i>
Type of Assistance	Loans	Deferrable or forgivable loans for retaining newly hired physician for at least 12 months	Matching capital grants
Priority Applicants	Licensed physicians and physician offices providing primary care services or a medical specialty that best addresses the THA's health	Not applicable	DECD must prioritize grant applicants to best address the THA's health needs

	needs		
Eligible Expenditures	<ul style="list-style-type: none"> • Acquiring medical equipment • Construction or leasehold improvements • Working capital • Other DECD-approved business expenses 	<ul style="list-style-type: none"> • Training • Marketing • Working capital • DECD approved expenses supporting the hiring of licensed physicians 	<ul style="list-style-type: none"> • New or ongoing training • Working capital • Acquisition of medical equipment • Construction or leasehold improvements • Other DECD-approved business expenses
Terms and Conditions	<ul style="list-style-type: none"> • \$10,000-\$100,000 loans • Up to 4% interest • Maximum 10-year term • Loan terms, conditions, and collateral requirements reviewed and approved to best address THA's health needs 	<ul style="list-style-type: none"> • \$10,000-\$250,000 loans • Loans deferred or forgiven if borrower retains newly hired physicians for at least 12 months • Loan terms, conditions, and collateral requirements reviewed and approved to prioritize hiring licensed physicians that best meet THA's health needs 	<ul style="list-style-type: none"> • \$10,000-\$100,000 grants • Physician offices must match DECD grant

The commissioner may combine the THA loans and grants with financing and tax credits provided under other programs.

§ 2(a) — ELIGIBILITY

Under the bill, licensed physicians qualify for revolving loans and hiring incentive loans if they practice medicine in a THA and (1) actively provides primary care for adults and children or (2) any medical specialty the commissioner determines the THA needs. Physician offices also receive these loans and matching grants based largely on the same criteria. An office must be (1) operating in a THA, (2) providing primary care to adults and children or a medical specialty the commissioner determines the THA needs, and (3) up-to-date on all state and local taxes.

§2(c) — APPLICATION PROCESS

The DECD commissioner, in consultation with the Connecticut State Medical Society, must establish and use a streamlined application process to provide THA assistance. She may provide the assistance within 30 days after a licensed physician or a physician office submits an approved application. The commissioner must give priority to those applicants providing primary care service or a needed medical specialty in a THA and do so in a way that best addresses its health needs.

§ 2(b) — CLAWBACK REQUIREMENT

By law, any business that receives economic development assistance must repay the assistance plus 5% of the amount if it relocates within 10 years of receiving the assistance or before the period for repaying the assistance, whichever is longer. The bill shortens the period to five years for a physician or physician office receiving THA assistance, if the commissioner chooses to impose the penalty.

§ 3 — FUNDING

The bill authorizes up to \$5 million in general obligation bonds per year in FY 13 and FY 14 for the THA program. It also specifies the amounts the commissioner may spend from this authorization for each of THA's three components, as shown in Table 2 below.

Table 2: THA Program Bond Allocations

<i>Component</i>	<i>FY 13</i>	<i>FY 14</i>
Revolving Loans	\$2.0 million	\$2.0 million
Licensed Physician Hiring Incentive	1.0 million	1.0 million
Matching Grants	2.0 million	2.0 million
Total	5.0 million	5.0 million

Under the bill, the commissioner must report to the legislature whenever she spends more or less for any type of assistance than the bill specifies for that type. The report must identify the amount spent and how the commissioner divided it among three types of assistance. She must report to Appropriations; Commerce; Public Health; Human Services; and Finance, Revenue and Bonding committees.

§ 1(b) — REMOVING A DESIGNATION

Each THA designation is good for at least five years. Beginning October 1, 2017, the DECD commissioner must, in consultation with the public health and social services commissioners, annually determine if each THA-designated municipality still has a medically underserved population or one with a high chronic disease rate. She may remove the designation from any municipality after five years if it no longer meets these criteria.

§2(g) — REPORTING

Beginning no later than June 30, 2013, the commissioner must submit an biannual THA performance reports to the Appropriations; Commerce; Public Health; Human Services; and Finance, Revenue and Bonding committees. The report must provide data on:

1. the number of THA-based licensed physicians and physicians offices providing primary care or a needed medical specialty that applied for THA assistance,
2. the number of such physicians and offices that received assistance,

3. the amounts and types of assistance they received, and
4. the total number of licensed physicians at THA-based physician offices providing primary care services or a needed medical specialty when they applied for assistance and the total number they hired.

DECD must include this data in its annual report to the legislature.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 13 Nay 4 (03/27/2012)